Swiss Accounts Cited as Cloak For Spy Payoffs

By Jean Heller
Associated Press

The Defense Department has evidence that secret Swiss bank accounts have been used to cloak payoffs to American military personnel who supplied U.S. intelligence information to foreign powers.

Defense Department representatives, it was learned, were to testify to that fact at a House Banking Committee hearing Dec. 12 on a bill aimed at halting the illegal use of secret foreign bank accounts by U.S. citizens.

The hearing was postponed until sometime next year, but committee members received an advance copy of the formal department testimony before the postponement. The testimony said, among other things, that the Defense Department was in "complete accord" with the secret foreign bank account bill.

Pose Security Threat

"Foreign numbered accounts pose a security threat to the Department of Defense in that they may be used to support foreign agents targeted against the military establishment or they maybe used to conceal payments to U.S. personnel recruited by foreign intelligence services," the testimony said.

A Defense spokesman cited one example of Soviet intelligence officials depositing $25,000 in a secret Swiss account for a U.S. Army sergeant who supplied them with classified information. The sergeant, who was not named, is now serving a prison term for espionage, the testimony

The Defense Department representative testified further that the Pentagon officials would cooperate fully with the Treasury Department in enforcing the secret foreign bank account bill after its enactment.

They may never get the chance.

As the Defense Department testimony was being drafted, the Nixon administration, led by the Treasury Department, was backing down from its support for the bill. It was under pressure from domestic and foreign banking leaders who objected to the stringent new record-keeping practices provided for in the measure.

Frauds Cloaked

The House Banking Committee, chaired by Rep. Wright Patman, (D-Tex.,) held a day of hearings on secret foreign bank accounts late last year. It was disclosed at that time that the accounts are used to cloak hundreds of millions of dollars in tax evasions and frauds every year.

Patman and other committee members began drafting legislation—with the help of Nixon administration officials—to curb the practice.

Their bill called for tighter record keeping on domestic bank account transactions and the identities of persons dealing with those accounts, as well as reporting by persons transporting U.S. currency abroad and those doing business with foreign financial institutions.

Assured of administration support for the measure, Patman began hearings Dec. 4. His two witnesses that day were Will Wilson, assistant attorney general in charge of the criminal division, and Robert M. Morgenthau, U.S. attorney for the Southern district of New York, a man who broke several foreign bank account fraud cases.

Both testified in favor of the bill, with Wilson stating unequivocally, "That is correct," when asked point-blank if the Justice Department wanted enactment of the bill.

But at the same time they were testifying, subsequent interviews disclosed, the State Department was receiving a barrage of protests from foreign banks and domestic banks with foreign branches, and high-level Treasury Department officials were meeting with representatives of some of the largest banks in the United States.